

## Message Text

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PAGE 01 LAGOS 09990 01 OF 02 120720Z  
ACTION MMO-02

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 ISO-00  
IO-13 SOE-02 AID-05 CEA-01 CIAE-00 COME-00  
DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03  
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02  
SS-15 STR-07 TRSE-00 ACDA-12 /185 W  
-----072790 120806Z /16

P R 111517Z AUG 78  
FM AMEMBASSY LAGOS  
TO SECSTATE WASHDC PRIORITY 0012  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY ALGIERS  
AMEMBASSY BONN  
AMEMBASSY CARACAS  
AMEMBASSY DOHA  
AMEMBASSY JAKARTA  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY LIBREVILLE  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY QUITO  
AMEMBASSY ROME  
AMEMBASSY TEHRAN  
UQMTI/AMEMBASSY TRIPOLI 368  
AMEMBASSY VIENNA  
USMISSION BRUSSELS  
OECD PARIS 8991  
USINT BAGHDAD  
AMCONSUL DHAHRAN  
AMCONSUL KADUNA

LIMITED OFFICIAL USE SECTION 1 OF 2 LAGOS 9990

CERP 42&6  
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PAGE 02 LAGOS 09990 01 OF 02 120720Z

E.O. 11652: N/A  
TAGS: ENRG, EFIN, ECON, PINT ECRP NI  
SUBJECT: NIGERIAN OIL PRODUCTION REVIVES

REF: LAGOS 4516

SUMMARY: NIGERIAN OIL OUTPUT IN SECOND QUARTER 1978 STOOD AT 1.7 MILLION BARRELS PER DAY. INCREASE OVER FIRST QUARTER CAN BE ATTRIBUTED TO PRODUCER ALLOWANCES AND TO SAUDI ARABIAN EFFORTS TO SWIFT CONSUMPTION FROM LIGHT CRUDES TO HEAVY CRUDES. IF, AS EXPECTED, NIGERIAN PRODUCTION IN THIRD QUARTER AND FOURTH QUARTER AVERAGE 1.9 TO 2 MILLION BARRELS PER DAY, 1978 PRODUCTION SHOULD BE IN NEIGHBORHOOD OF 1.8 MILLION BARRELS PER DAY AND REVENUES SHOULD BE APPROXIMATELY 8 BILLION DOLLARS, DOWN APPROXIMATELY 19 PERCENT FROM 1977. NNPC EXPECTS CONTINUED PRICE PRESSURE IN 1979. END SUMMARY.

1. IN THE SECOND QUARTER OF 1977, NIGERIA'S OIL PRODUCTION REVIVED SIGNIFICANTLY TO 1,768,635 B/D WHICH IS AN INCREASE OF 12.5 PERCENT FROM THE FIRST QUARTER PRODUCTION LEVEL OF 1,575,073 B/D. MONTHLY PRODUCTION FIGURES FOR THE SECOND QUARTER BY COMPANY ARE SET OUT BELOW:

SECOND QUARTER CRUDE OIL PRODUCTION (MM B/D)

SHELL/BP APR 1,017,227 MAY 999,981 JUN 1,072,262  
GULF APR 164,174 MAY 195,202 JUN 262,991  
CAMOBIL APR 171,565 MAY 197,992 JUN 184,144  
AGIP/PHILLIPS APR 215,434 MAY 224,754 JUN 226,612  
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PAGE 03 LAGOS 09990 01 OF 02 120720Z

ELF APR 77,737 MAY 81,296 JUN 81,416  
TEXACO APR 27,945 MAY 10,529 JUN 46,108  
PANOCCEAN APR 10,565 MAY 8,718 JUN 10,188  
ASHLAND APR 8,453 MAY 8,791 JUN 8,821

ALL COMPANIES APR 1,693,102 MAY 1,720,263 JUN 1,892,542

DESPITE THE INCREASE IN PRODUCTION IN THE SECOND QUARTER, FIRST HALF PRODUCTION AT 1,671,854 B/D IS DOWN BY 25 PERCENT FROM THE FIRST HALF OF 1977, WHEN PRODUCTION STOOD AT 2,225,380 B/D.

2. THE REASON FOR THE GAINS DURING THE SECOND QUARTER ARE PRICE CUTS LABELLED PRODUCER ALLOWANCES AND THE ATTEMPT BY SAUDI ARABIA TO SWITCH ITS SALES FROM LIGHTER TO HEAVIER CRUDE OIL. RELATIVE IMPORTANCE OF THESE FACTORS WAS DISPUTED BY PETROLOFF SOURCES.

3. AN OIL COMPANY EXECUTIVE ATTRIBUTED THE GAINS PRIMARILY TO SAUDI ATTEMPTS AT SWITCHING. WHEN QUESTIONED BY PETROLOFF ABOUT DISCOUNTS REPORTED

IN PETROLEUM INTELLIGENCE WEEKLY ISSUE OF JULY 24,  
OIL EXECUTIVE SAID THAT HE HAS NO KNOWLEDGE OF DIS-  
COUNTS AND THAT OFFICIALLY, THE PRICE IS STILL  
DOLLARS 14.10 PER BARREL FOR 37 GRAVITY CRUDE OIL,  
BUT IF, AS PETROLEUM INTELLIGENCE WEEKLY REPORTS,  
37 GRAVITY CRUDE OIL COULD BE PURCHASED IN NIGERIA  
FOR DOLLARS 13.87 PER BARREL, HE POINTED OUT THAT

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PAGE 01 LAGOS 09990 02 OF 02 120759Z  
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AMCONSUL DHAHRAN  
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LIMITED OFFICIAL USE SECTION 2 OF 2 LAGOS 9990

IT WOULD STILL BE OVER-PRICED. TO HIS KNOWLEDGE,  
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PAGE 02 LAGOS 09990 02 OF 02 120759Z

WHEN NIGERIAN CRUDES AND SAUDI LIGHT CRUDE OF  
SIMILAR GRAVITY ARE EXCHANGED TO SUIT REFINING NEEDS,  
THE EXCHANGE IS DONE AT DOLLARS 13.70 PER BARREL,  
NEARLY CENTS 17 OVER THAT REPORTED BY PETROLEUM  
INTELLIGENCE WEEKLY.

4. NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC) OFFICIAL,  
ON THE OTHER HAND, PLACED GREATER FAITH IN  
PRICE FACTOR. HE AGREED THAT SAUDI ATTEMPT  
TO SWITCH TO HEAVY OILS PROVIDED SOME BENEFIT TO  
NIGERIAN SALES BUT HE FELT THAT IRAN AND QATAR, WHOSE  
CRUDES ARE SIMILAR IN MAKE-UP TO SAUDI CRUDES,  
CAPTURED MOST OF THIS DISPLACED LIGHT CRUDE DEMAND.  
THE IMPORTANT FACT WAS PRODUCED BY PRICE DISCOUNTING.  
NIGERIA'S NEW COMPETITIVENESS ATTRACTED CUSTOMERS  
WHO, IN THE FIRST QUARTER, MADE THEIR PURCHASES FROM  
ALGERIA AND LIBERIA. HE SAID THIS SHOULD BE VIEWED  
AS AN EQUITABLE RE-DISTRIBUTION IN THE SLUMP IN THE  
AFRICAN SWEET CRUDE MARKET AND SHOULD NOT BE PORTRAYED  
AS QUOTE STEALING SALES UNQUOTE. HE CAUTIONED THAT  
NIGERIA'S PRODUCTION AND REVENUE PICTURE WOULD DIM  
IF OTHER PRODUCERS WERE TO RESPOND WITH FURTHER DISCOUNTS.

5. BOTH THE U.S. OIL COMPANY OFFICIAL AND THE NNPC OFFICIAL  
FORECAST THIRD AND FOURTH QUARTER PRODUCTION IN THE RANGE  
OF 1.9 TO 2.0 MILLION B/D. THIS IS CONSISTENT WITH  
ESTIMATES OF JULY PRODUCTION OF 1,910,000 BARRELS PER DAY.  
THE U.S. OIL COMPANY EXECUTIVE ATTRIBUTED THE THIRD QUARTER  
PICTURE TO THE FACT THAT U.S. DOMESTIC STOCKS ARE NOW  
DRAWN DOWN WHILE THE NNPC OFFICIAL SAID THAT NIGERIA'S  
SALES WOULD BENEFIT FROM THE CONTINUATION OF SUMMER DEMAND  
FOR LIGHT OILS. THE MOST SIGNIFICANT FACTOR IN THE FOURTH  
QUARTER, ACCORDING TO BOTH OFFICIALS, WOULD BE A  
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PAGE 03 LAGOS 09990 02 OF 02 120759Z

SURGE IN DEMAND IN ANTICIPATION OF A POSSIBLE  
OPEC PRICE RISE. THE NNPC OFFICIAL, HOWEVER,  
DISMISSED THE PETROLEUM INTELLIGENCE WEEKLY  
STORY OF JULY 24 CONCERNING THIRD QUARTER DIS-  
COUNTING AND SAID THAT THE NNPC WOULD BE MORE APT  
TO USE THESE TYPES OF DISCOUNTS IN THE FOURTH  
QUARTER IF THE MARKET DID NOT REFLECT THE

ANTICIPATED DEMAND SURGE. IN SUM, THE OUTLOOK  
FOR NIGERIA IS 1978 PRODUCTION OF 1.8 MILLION B/D.  
WHICH TRANSLATES INTO REVENUE OF 8.112 BILLION  
DOLLARS, DOWN 18.8 PERCENT FROM LAST YEARS'  
9.984 BILLION DOLLARS OF REVENUE.

6. FOR 1979, THE NNPC SEES CONTINUED PRICE PRESSURE.  
THIS VIEW BY PETROLOFF'S SOURCE REFLECTS SPEECH BY  
COL. M. BUHARI, NNPC CHAIRMAN, GIVEN AT MOBIL OIL  
SEMINAR JULY 24. CONTINUED PRICE PRESSURE WILL COME  
FROM PRODUCTION IN MEXICO, ALASKA AND INCREMENTAL  
400,000 B/D FROM NORTH SEA. NEVERTHELESS, IN BUHARI'S  
SPEECH, HE ASKED THAT OIL COMPANIES INCREASE THEIR  
EXPLORATION EFFORTS. HE SAID THAT THIS WOULD IMPROVE  
THE COUNTRY'S RESERVE BASE IN ANTICIPATION OF A  
WORLDDWIDE SHORTFALL IN SUPPLY FORECAST FOR THE MIDDLE  
80'S.  
WYMAN

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** OILS, PRODUCTION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Review Exemptions:** n/a  
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**Subject:** NIGERIAN OIL PRODUCTION REVIVES  
**TAGS:** ENRG, EFIN, ECON, PINT, ECRP, NI  
**To:** STATE  
**Type:** TE  
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